

Message Text

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44

ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 SS-20 NSC-07 L-03

TRSE-00 AID-20 OMB-01 FRB-03 XMB-07 DRC-01 CIEP-03

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R 131347Z SEP 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 3889

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E.O.11652: N/A

TAGS: ETRN, IS, XX

SUBJECT: CIVAIR- FOREIGN GOVERNMENT SUBSIDIES TO
FOREIGN AIRLINES

REF: STATE 162608

EMBASSY HAS OBTAINED FOLLOWING INFORMATION ON POINTS
RAISED IN REFTEL:

A. NATIONAL CARRIER, EL AL, IS STATE ENTERPRISE WITH
99.9PERCENT OF STOCK OWNED BY GOI.

B. AND C. BECAUSE OF STATUS AS GOVERNMENT-OWNED COMPANY,
EL AL IS ELIGIBLE FOR SO-CALED "DIRECT LOANS" AT
ANNUAL INTEREST RATE OF 11 PERCENT. THIS COMPARES WITH PREVAIL-
ING COMMERCIAL RATES WHICH BEGIN AT 20 PERCENT PER ANNUM. NOTE
THAT FOREIGN AIRLINES ARE NOT PERMITTED OVERDRAFT FACILI-
TIES IN ISRAEL AND MUST OBTAIN ALL NECESSARY FINANCING BY
TRANSFERS FROM ABROAD.

D. NATIONAL CARRIER HAS 50 PERCENT INTEREST IN ONLY EXISTING
MAJOR WHOLESALE MARKETING ORGANIZATION FOR INTERNATIONAL
GROUP TRAVEL TO AND FROM ISRAEL. TWA TELLS US THIS ORGANI-
ZATION --AIRTOURS, LIMITED--HAS NOT GIVEN TWA PROPORTIONATE
OR FAIR MARKET SHARE OF GROUP TRAVEL TO EITHER U.S. OR

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EUROPEAN DESTINATIONS, ANY PROMOTION OF GROUP TRAVEL BY

NATIONAL TOURIES OFFICES NATURALLY DISCRIMINATES AGAINST U.S. CARRIER. EL AL ALSO BENEFITES FROM FREE AND PROMINENT COVERAGE BY ISRAEL'S NATIONAL(AND SOLE) TELEVISION NETWORK.

E. NO GIVE-AWAY PACKAGES HAVE BEEN NOTED HERE. ON MORE GENERAL QUESTION OF NATIONAL CARRIER'S DOMINANCE OF MARKET, JULY STATISTICS SHOW EL AL HANDLING 52.4PERCNET OF ALL INTERNATIONAL PASSENGER TRAFFIC.

F. CURRENT ARRANGMENTS ON CARRIAGE OF MAIL IS THAT EL CARRIES ALL MAIL FROM ISRAEL TO U.S. AND TWA CARRIES ALL MAIL FROM U.S. TO ISRAEL. LOCAL TWA REPRESENTATIVE BELIEVES THIS SYSTEM IS WORKING WELL.

G. MILITARY CARGO IS SHIPPED AT NORMAL RATES, ALTHOUGH UTILIZATION OF NATIONAL CARRIER IS MANDATORY FOR SHIPMENTS ON GOVERNMENT RELATD ACCOUNTS.

H. PRICE DISCRIMINATION IN AIRPORT SERVICES APPARENTLY DOES NOT EXIST. TWA GRIPEs IN THIS AREA ARE CONFINED TO PREFERENTIAL TREATMENT FOREL AL IN AIRCRAFT PARKING, IN SIZE AND LOCATION OF TICKET COUNTER SPACE, AND IN ASSIGNMENT OF EXPERIENCED SECURITY PERSONNEL FOR BAGGAGE EXAMINATION. IN ADDITION, WHEREAS EL AL IS ABLE TO EMPLOY ITS OWN AIRCRAFT CLEANING CREWS, TWA IS DEPENDENT ON CREWS SUPPLIED BY AIRPORT.

I. THERE IS NO GOVERNMENT PROGRAM FOR CREW TRAINING.

J. WE HAVE FOUND NO EVIDENCE OF SUBSIDIES TO DOMESTIC AFFILIATE BEING APPLIED TO HELP OFFSET COSTS OF INTERNATIONAL CARRIER.

K. QUESTION OF HOME-COUNTRY MANUFACTURED AIRCRAFT DOES NOT APPLY.

VELIOTES

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